

## Appendix 1

# Governance and Audit Committee – Draft Terms of Reference

### Governance and Statement of Purpose

Good Governance is the responsibility of all members (whether elected or co-opted) and officers of the Council, particularly those individuals with leadership roles and statutory responsibilities including the Chief Executive, the Chief Financial Officer (CFO) and the Monitoring Officer.

The Governance and Audit Committee (the Committee) provides an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to the Council that those arrangements are effective.

The Committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

The GAC is a valuable resource, adding value to the Council by supporting improvement across a range of objectives. To achieve wide-ranging influence, the GAC needs commitment and energy from its membership together with support and openness from the rest of the Council.

### The overall purpose of the GAC is to:

- review and scrutinise the authority's financial affairs,
- make reports and recommendations in relation to the authority's financial affairs,
- review and assess the risk management, internal control, performance assessment and corporate governance arrangements of the authority, make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements,
- review and assess the authority's ability to handle complaints effectively,
- make reports and recommendations in relation to the authority's ability to handle complaints effectively.
- oversee the authority's internal and external audit arrangements,
- review the financial statements prepared by the authority.
- exercise the functions set out in Chapter 1 of Part 6 of the Local Government and Elections (Wales) Act 2021 (performance and governance of principal councils) in respect of the review of self-assessment reports and panel assessment reports.

It will be for the Committee to determine how to exercise these functions. The Committee may require any Member or Officer of this Council to attend before it to answer questions and may invite other persons to attend meetings of this Committee.

### Financial Affairs

- To obtain assurance that the Council has effective and robust processes in place to identify and assess risks and pressures, and a realistic and achievable strategy for

setting balanced revenue and capital budgets, with any concerns arising properly raised with the responsible officers, members or auditors as necessary.

- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code, and to keep under review the Council's Financial Regulations and Contract Procedure Rules and all other corporate directions concerning financial control including the use of delegated decisions in respect of contract awards and exemptions from tendering.
- To scrutinise the Treasury Management arrangements including:
  - scrutiny of the Treasury Management Strategy Statement and the Annual Report on Treasury Activities before approval by Council in February and Cabinet in September respectively,
  - receive regular reports on Treasury Management on an agreed frequency to ensure that the Committee is updated on the latest developments in the Council's treasury activities.
  - review of the Council's risk exposure and its ability to manage risk in relation to its treasury management activities.

### **Governance, Risk, Control and Performance**

- To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance and recommend necessary actions to ensure compliance with best practice.
- To obtain assurance that the risk management processes are robust and being consistently applied across the council, including:
  - review and endorsement of the Risk Management Policy and Guidance,
  - monitoring the application of our risk management processes.
  - identifying governance and audit related risks that warrant further scrutiny.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To consider the Council's draft Annual Performance Self-Assessment report and if necessary make any recommendations for changes to the Council.
- To receive the Council's finalised Annual Self-Assessment report for the respective financial year
- At least once during the period between two consecutive ordinary elections of councillors to the Council, consider the independent Panel Performance Assessment report on whether the Council is meeting its performance requirements.
- To receive and review the Council's draft response to the report of the independent Panel Performance Assessment and if necessary make recommendations for changes to the statements made in the draft response to the Council.

- To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

### **Counter Fraud**

- To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- To monitor the counter fraud strategy, actions and resources

### **Financial and governance reporting**

#### **Governance reporting**

- To review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.

#### **Financial reporting**

- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- To consider the external auditor's report to the Council on issues arising from the audit of the accounts and to obtain assurance that there has been an appropriate response.

### **Arrangements for audit and assurance**

- To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

#### **External Audit and Inspection**

- To support the independence of external audit through consideration of the external auditor's annual assessment of its independence

- To consider the external auditor's annual letter/report, relevant reports and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor and / or other inspection agencies
- To comment on the scope and depth of planned and completed external audit work and to ensure it gives value for money.
- To consider additional commissions of work from external audit.
- To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

#### **Internal audit**

- To approve the internal audit charter.
- To approve the risk-based internal audit plan, including internal audit resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources, and to approve significant interim changes to these.
- To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
  - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
  - regular reports on the results of the Quality Assurance and Improvement Programme (QAIP)
  - reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSAIS) and Local Government Application Note (LGAN), considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
- To consider the Chief Internal Auditor's annual report, including:
  - the statement of the level of conformance with the PSIAS and LGAN and the results of

- the QAIP that support the statement (these will indicate the reliability of the conclusions
  - of internal audit)
  - the opinion on the overall adequacy and effectiveness of the council's framework of
  - governance, risk management and control, together with the summary of the work
  - supporting the opinion (these will assist the committee in reviewing the AGS).
- To consider summaries of specific internal audit reports.
  - To receive reports outlining the action taken where the Chief Internal Auditor has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
  - To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
  - To provide for the Chief Internal Auditor free and unfettered access to the Chair of the Committee, including the opportunity for a private meeting with the committee.

#### **Responsibilities in respect of the Council's Constitution**

- The GAC shall conduct a review of the Constitution on an annual basis and may make recommendations to Council on any amendments it considers necessary to ensure that it remains fit for purpose and compliant with relevant legislation.

#### **Responsibilities in respect of complaints**

- Review and assess the Authority's ability to handle complaints effectively and make reports and recommendations as necessary.
- Review on an annual basis the results of complaints made to the Information Commissioners Office regarding complaints under the Freedom of Information Act, the Data Protection Act and the Environmental Information Regulations.
- Review on an annual basis the results of complaints of maladministration made to the Public Services Ombudsman for Wales and any follow up action or 'lessons learned' from such appeals.

#### **Responsibilities in respect of indemnities**

- Consider the level of professional representation of a member under the terms of the form of indemnity to members and officers approved by Council on 23 September 2008.

#### **Accountability arrangements**

- To report to the Council, the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of the governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To report to full council on an annual basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement.

### **Membership of the Committee**

The Committee will have a membership of nine made up as follows:

- Six Councillors politically balanced. Members may not be Chair of Council or a Cabinet member.
- Three 'lay persons' as defined by the Local Government (Wales) Measure 2011, as amended from time to time.
- The Chair of the Committee is to be elected by the Committee
- The person elected as Chair of the Committee must be a lay person.